

October 11, 2000

TO: Senator Sid Snyder, Chairman
Senator Dan McDonald
Representative Hans Dunshee
Representative Brian Thomas
Fred Kiga, Director Department of Revenue
Marty Brown, Office of Financial Management

FROM: Chang Mook Sohn, Executive Director

SUBJECT: OCTOBER 10, 2000 REVENUE COLLECTION REPORT

General Fund receipts were \$6.4 million more than expected in the September 11-October 10 collections period. Revenue Act taxes (sales, B&O use, public utility and tobacco products taxes) the state's major excise taxes, were \$7.1 million above the estimate for the month accounting for more than the total \$6.4 million positive variance. Lottery sales and transfers were again weaker than expected in September, however, a \$24 million lotto jackpot has significantly increased sales in early October and should help offset this month's lottery shortfall. Overall, collections for the current period indicate that the September economic and revenue forecast is pretty much on track.

Revenue Act collections in the current collection period (primarily August 2000 business activity) were 9.5 percent higher than a year-ago. However, adjusting for non-reoccurring items (primarily an unusually large refund a year-ago) Revenue Act receipts were up a more modest 4.8 percent from the year-ago period. This is a clear improvement from the last three months, which saw increases of less than 4.0 percent. Still, growth has clearly slowed, averaging only 3.8 percent the last three months compared to 8.4 percent for the first five months of the calendar year.

Preliminary tax payment data based on August business activity showed modest growth in most retailing sectors, lead by double-digit increases in the auto sector as well as food stores. Outside the retailing sector growth was mixed with modest mid-single digit to low double-digit increases in services, construction and the transportation, communications and utilities sectors. The manufacturing sector reported a decline in tax payments this period.

Other General Fund taxes collected by the Department of Revenue were \$1.7 million above the estimate for the month. Stronger than expected real estate taxes more than offset a little weaker than expected property tax payments. Real estate activity rebounded in August. (Closings in August generate tax payments to the state in September). August taxable real estate activity was 5.1 percent above the year-ago level, after declining 10.0 percent the month earlier. For the year-to-date, real estate activity has declined in five of the first eight months of the year and is 0.8 percent below the 1999 level. August saw a 2.4 percent decline in the number of transactions statewide that was more than offset by another strong increase in the average price per transaction. The improvement this month likely reflects the recent drop in mortgage rates.

Other agencies' General Fund collections were \$2.3 million below the forecast for the month. General Fund collections by the Department of Licensing were \$59,000 less than expected in September. Lottery sales remain weak with September transfers to the General Fund \$2.2 million less than the forecast. Although as noted above, a large lotto jackpot in early October has significantly increased sales and October transfers should offset the current lottery shortfall.

The attached Table 1 provides a comparison of collections with estimates for the current midmonth period, September 11- October 10, and cumulatively since the September forecast. Note, the cumulative variance since the last forecast shown in Table 1 is virtually the same as the shortfall for the current month because the monthly estimates based on the September forecast reflect actual collections through September 10, 2000. Table 2 compares revised collection figures to the preliminary numbers reported in last month's midmonth report.

TABLE 1
Revenue Collection Report
October 10, 2000 Collections Compared to the September 2000 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u> <u>Percent</u>
September 11 - October 10, 2000				
Department of Revenue-Total	\$708,681	\$717,379	\$8,698	1.2%
Revenue Act** (1)	639,484	646,496	7,012	1.1%
Non-Revenue Act(2)	69,196	70,883	1,686	2.4%
Liquor Sales/Liter	6,894	7,504	610	8.8%
Cigarette	6,210	5,989	(221)	-3.6%
Property (State School Levy)	7,646	6,280	(1,366)	-17.9%
Estate	8,562	8,372	(190)	-2.2%
Real Estate Excise	34,781	38,650	3,869	11.1%
Timber (state share)	0	0	0	NA
Other	5,104	4,088	(1,015)	-19.9%
Department of Licensing (2)	787	728	(59)	-7.5%
Lottery (2)	9,130	6,884	(2,247)	-24.6%
Total General Fund-State***	\$718,598	\$724,991	\$6,393	0.9%
Cumulative Variance Since the September Forecast (September 11 - October 10, 2000)3				
Department of Revenue-Total	\$708,681	717,379	8,698	1.2%
Revenue Act** (3)	639,484	646,496	7,012	1.1%
Non-Revenue Act(4)	69,196	70,883	1,686	2.4%
Liquor Sales/Liter	6,894	7,504	610	8.8%
Cigarette	6,210	5,989	(221)	-3.6%
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Total General Fund-State***	\$718,598	\$724,991	\$6,393	0.9%

1 Collections September 11 - October 10, 2000. Collections primarily reflect August 2000 activity of monthly taxpayers.

2 September 1-30, 2000 collections.

3 Cumulative collections, estimates and variance since the June forecast; (Sept. 11- October 10, 2000) and revisions to history.

4 Cumulative collections, estimates and variance since the June forecast; (September 2000) and revisions to history.)

* Based on the September 2000 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, the Department of Licensing and the Lottery Commission, about 97% of total General Fund-State.

TABLE 2
September 10, 2000 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections Preliminary</u>	<u>Revised</u>	<u>Difference Amount</u>	<u>Percent</u>
August 11 - September 10, 2000				
Department of Revenue-Total	\$683,601	\$683,601	\$0	0.0%
Revenue Act (1)	614,623	614,623	(0)	-0.0%
Non-Revenue Act(2)	68,978	68,978	0	0.0%
Liquor Sales/Liter	7,079	7,079	0	0.0%
Cigarette	6,765	6,765	0	0.0%
Property (State School Levy)	5,151	5,151	(0)	-0.0%
Estate	5,634	5,634	(0)	-0.0%
Real Estate Excise	35,696	35,696	(0)	-0.0%
Timber (state share)	3,951	3,951	0	NA
Other	4,703	4,703	(0)	-0.0%
Department of Licensing (2)	1,280	1,280	(0)	-0.0%
Lottery (2)	6,974	6,974	(0)	-0.0%
Total General Fund-State***	\$691,854	\$691,854	\$0	0.0%
Cumulative Variance: June 11 - September 10, 2000 & Revisions to History				
Department of Revenue-Total	2,577,811	\$2,578,784	\$973	0.0%
Revenue Act (3)	2,066,937	2,066,937	(0)	-0.0%
Non-Revenue Act(4)	510,875	511,847	972	0.2%
Liquor Sales/Liter	21,272	21,272	(0)	-0.0%
Cigarette	18,854	18,854	(0)	-0.0%
Property (State School Levy)	295,279	295,280	1	0.0%
Estate	23,761	23,761	0	0.0%
Real Estate Excise	112,379	112,379	0	0.0%
Timber (state share)	3,951	3,951	0	NA
Other	35,379	36,350	971	2.7%
Department of Licensing (4)	9,195	9,605	410	4.5%
Lottery (4)	17,185	17,185	(0)	-0.0%
Total General Fund-State***	2,604,191	\$2,605,573	\$1,382	0.1%

P-Preliminary. Reported in the September 10, 2000 collection report.

R Revised data.

1 Collections August 11 - September 10, 2000. Collections primarily reflect July 2000 business activity of monthly taxpayers.

2 August 1-31, 2000 collections.

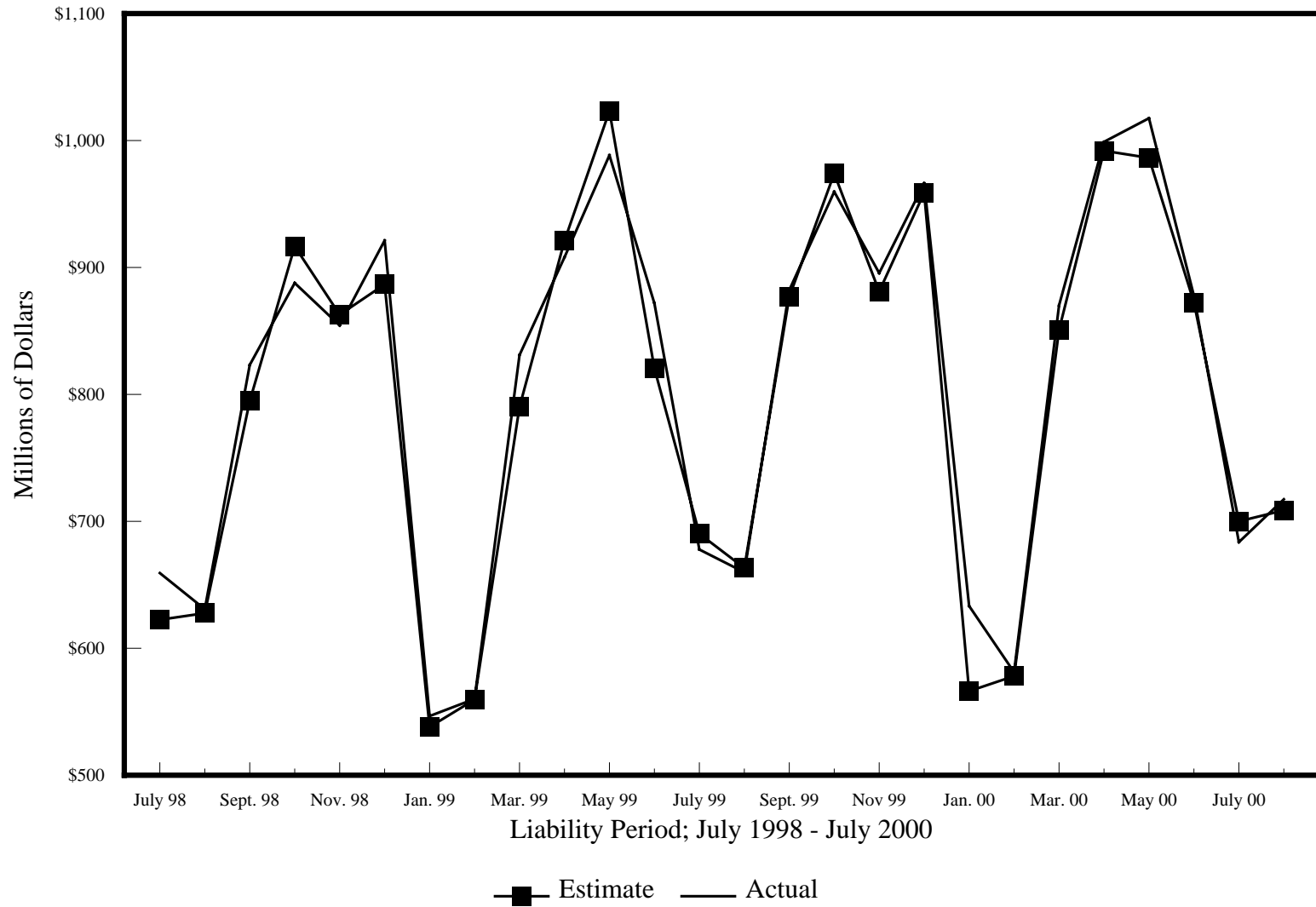
3 Cumulative variance for since the June forecast: June 11 - September 10, 2000 & revisions to history.

4 Cumulative variance: since the June forecast (June - August 2000) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

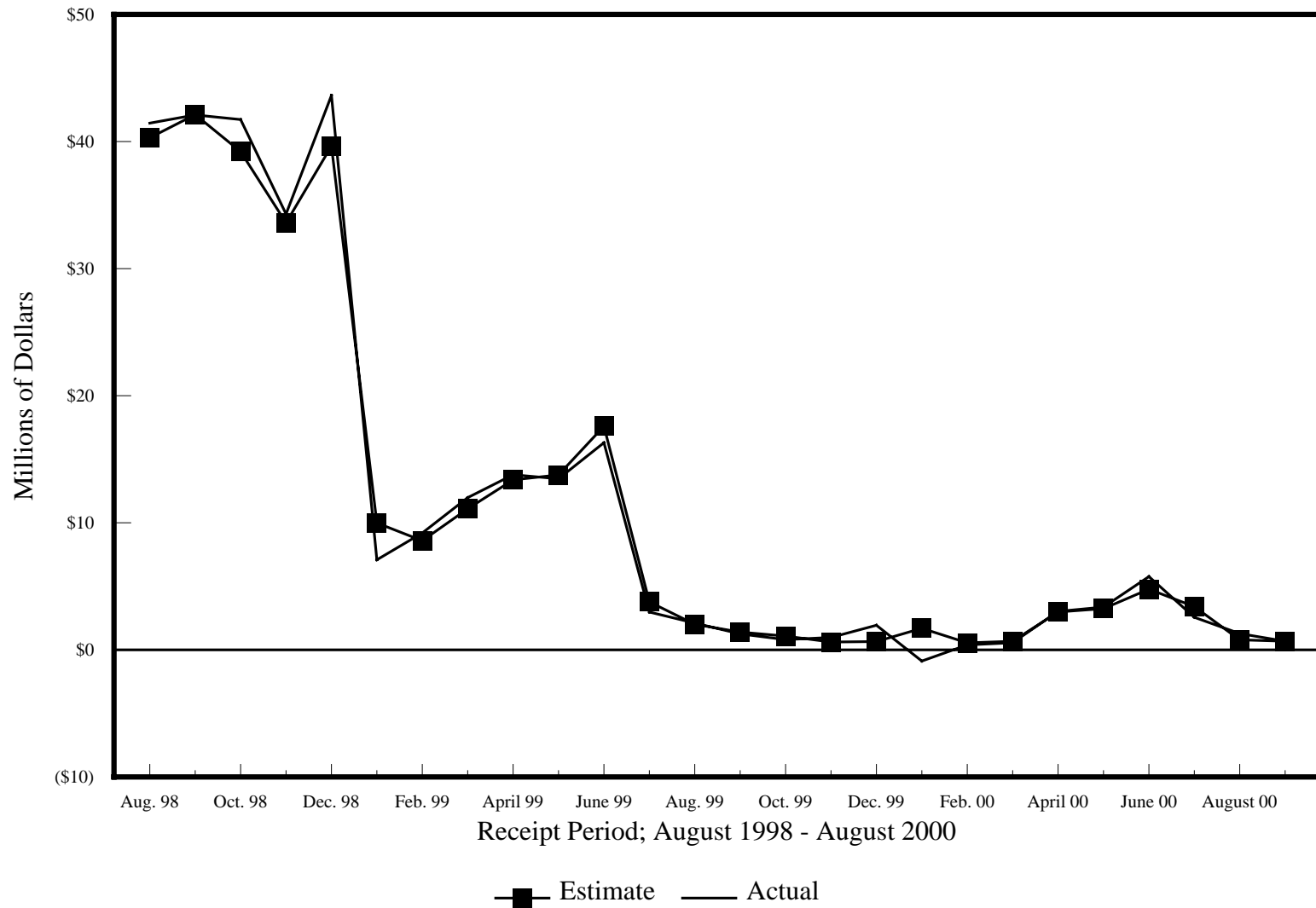
Department of Revenue: General Fund-State, Actual vs. Estimate

July 98 to July 2000



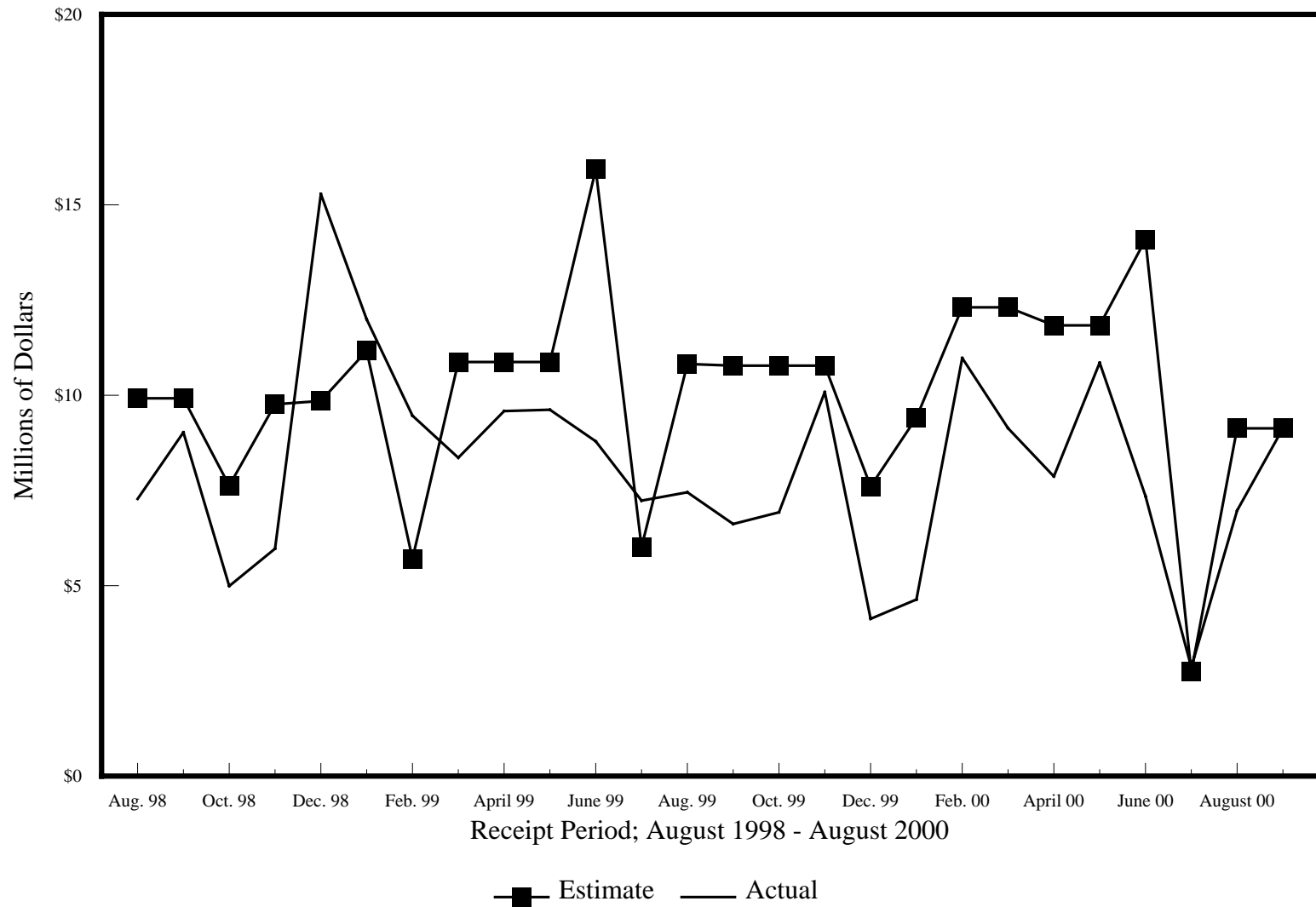
Department of Licensing General Fund-State, Actual vs. Estimate

August 98 to August 2000



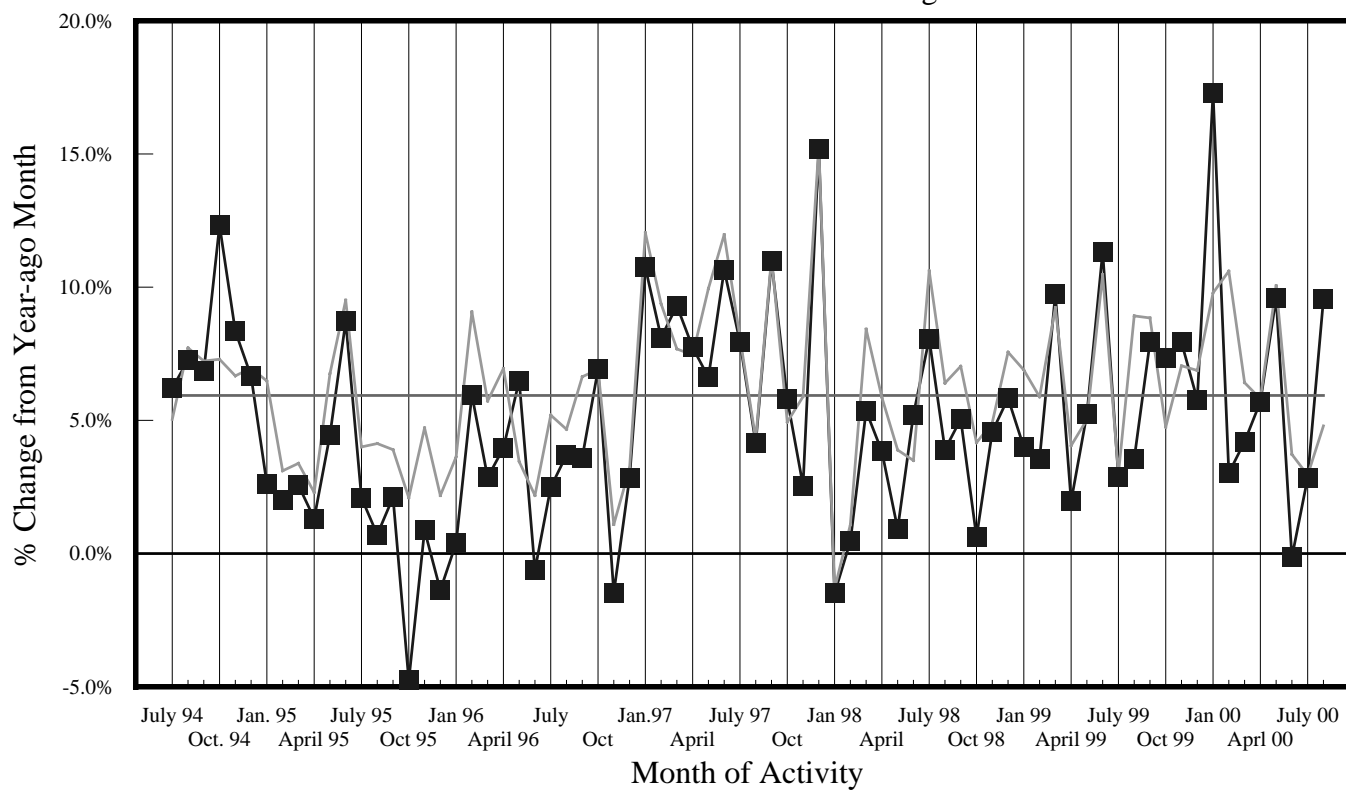
Lottery General Fund-State Transfers, Actual vs. Estimate

August 98 to August 2000



Revenue Act Net Collections

Year-over-Year Percent Change



■ %CH from year-ago month

— Ave. Growth fys: 95-98: 5.9% (Adj.for Legislation)

— % Change from year-ago, adjusted for large audits & legislation